

MISSION STATEMENT

Adopted November 1, 2000

"The Arkansas Development Finance Authority is dedicated to providing and supporting affordable financing for the housing, economic, agricultural and governmental needs of Arkansas. The Authority accomplishes this through a powerful network of partners dedicated to promoting greater economic opportunities and improving the general health, safety and welfare of the state and its citizens.

CURRENT MEMBERS - ADFA BOARD OF DIRECTORS

Barclay, Richard L.
Baxter, Charley
Black, Freddie
Deacon, Rush B.
Fisher, Jimmie Lou
Flake, Karen
Hagler, Curtis

Jeffrey, Bryan
Lamb, Bob
Lang, Johnny
Lindsey, Lloyd
McEntire, Margaret
Mobley, Freddie
Mullens, Bert

"Annual Mission Statement"
Presented to: Arkansas Legislative Council

The Arkansas Development Finance Authority

In 1977, The Arkansas Housing Development Agency was created with a charge to issue tax-exempt bonds to support affordable housing for the citizens of this state. Since that time, the agency has undergone a name change to the Arkansas Development Finance Authority (ADFA), has assumed responsibility for additional housing programs and has added economic development, agriculture, aquaculture, export finance, government finance and programs addressing tourism development.

The program activities of ADFA can be divided into three broad categories:

1. Economic Development
2. Homeownership
3. Affordable Rental Housing.

ADFA serves as the primary public source in the state for importing capital for these development activities. Capital is imported to the state both by ADFA's issuance of tax-exempt and taxable bonds and by its application for and administration of grant funds from federal and private foundation sources.

ECONOMIC DEVELOPMENT

The Development Finance Division is responsible for a number of activities, all of which are designed to further the economic development goals of Arkansas.

The ADFA Bond Guaranty Program is a partnership of public and private entities through which the state provides credit enhancements for growing businesses, which contribute to the economic growth of the state. ADFA focuses the Guaranty Program towards industrial manufacturing and providing long-term below market interest rate loans to the borrower. In 2000, **ten (10)** industrial manufacturing projects totaling **\$15,760,000.00** were approved by ADFA Board of Directors and funded by staff. See Exhibit IA and related Exhibits IB - IG).

The Capital Access Loan Program (CAP) provides a form of loan portfolio insurance that allows participating Arkansas lenders to make small business loans that carry higher than conventional risks but are within prudent lending requirements. The method for making these loans more attractive to a lender is a loan loss reserve, which can be drawn upon by the lender in the event of a default on an enrolled loan. The fund is created from fees paid up front by the lender, enrolled by borrowers and ADFA. In 2000, lenders made **41** loans totaling **\$1,638,334.83** in small business loans. (See Exhibit II).

The Business Life Program provides a form of loan portfolio insurance combined with a 90% guarantee so lenders that serve the Enterprise Community may make small business loans that carry higher than conventional risks but that are within the soundness and safety requirements of bank regulators. In 2000, **two (2)** lenders made **seven (7)** loans in Pulaski County totaling **\$279,000.00**. Three (3) loans were made in Little Rock and four (4) in North Little Rock.

ADFA administers the **Disadvantaged Business Enterprise (DBE) Program**. It is a loan guarantee program designed to provide a source of working capital to qualified women and minority contractors who cannot otherwise finance their working capital needs by providing a partial guarantee (insurance) for a bank loan.

Loans are at a market rate for a term of no longer than 180 days. Through December 31, 2000, **48** loans were made to **eleven (11)** companies totaling **\$2,139,250** with the limited ADFA guarantee enhancing **\$1,686,301** of that amount. There are **two (2)** current loans outstanding.

In 1995, ADFA obtained a \$3 million Rural Development loan at one percent through a program called **Intermediary Relending Program (IRP)**. Funds must be used for business and community development in rural Arkansas. IRP funds can be combined with other ADFA program funds or private funds and used to leverage resources and lower interest rates on financing for qualified projects. In 2000, ADFA used **\$397,771** in IRP funds to assist **three (3)** projects located in the counties of Bradley, Chicot and Mississippi.

The **Beginning Farmer Loan Program** assists Arkansas farmers to acquire land, buildings, equipment and livestock at lower interest rates. The program enables lenders, individuals, partnerships and corporations to receive tax-exempt interest for direct loans or contract sales. During 2000, **one (1)** loan was made for **\$210,000** in Boone County.

The **Export Finance Program** was designed to assist small service companies, manufacturers, and agri-businesses in obtaining Export Credit Insurance to cover unsecured sales to approve foreign buyers. By protecting foreign receivables from commercial and political risks, Arkansas exporters are able to offer attractive credit terms to foreign buyers, and meet or beat foreign and domestic competition to international sales. ADFA can also assist in securing bank financing for insured foreign receivables. In 2000, the program assisted **ten (10)** exporters by insuring **\$1,108,007.10** in exports to foreign countries.

The **Tourism Revolving Loan Fund** was established in June of 1998 to stimulate tourism development and aid tourism-related business in Arkansas. The Tourism Development Revolving Loan Fund is capitalized with a \$2 million ADFA set-aside and \$250,000 made available from the Department of Heritage. Loans are currently being offered at a below-market rate and matched 50/50 by local financial institutions. There are no maximum or minimum project sizes, but the state's portion of the loan cannot exceed \$250,000. In 2000, **two (2)** loans were funded for tourism purposes. These loans were for projects in Carroll and Newton Counties and total **\$295,000**.

The **Speculative Building Loan Program** provides a source of financing to local Industrial Development Corporations that are interested in building a speculative industrial building in their community. ADFA will make a low interest rate loan (historically between 4 percent and 6 percent) to cover 50 percent of the cost of the building, not to exceed \$1 million. The balance of the loan must be raised or committed through local lenders, area businesses or other sources. **One (1)** loan was funded in 2000 for a speculative building in Bradley County for **\$267,750.00**

Through the **Wastewater System Revolving Loan Program**, ADFA works in conjunction with the AR Department of Environmental Quality (ADEQ) (formerly, the Arkansas Department of Pollution Control and Ecology) to provide low interest rate financing to Arkansas municipalities for

wastewater treatment facilities. The program is funded through federal grants from EPA, with state matching equal to 20 percent of the federal grants and bond proceeds. The loans have a maximum term of up to 23 years and bear interest at 4 percent or less. ADEQ manages the program; ADFA serves as financial advisor and issuer of leveraging bonds. In 2000, **four (4)** loans were made to communities in Benton, Jefferson, Phillips and White Counties totaling **\$8,741,280**.

The **Safe Drinking Water Revolving Loan Fund** provides financial assistance to local governmental entities or water associations in connection with water programs, waste disposal programs or pollution abatement programs. **One (1)** loan was made in Columbia County in the amount of **\$4,000,000** in 2000.

ADFA is also home to a number of non-financial programs aimed at assisting Arkansas' agricultural and aquacultural community. They include the following:

The Aquaculture Division acts as a clearinghouse, disseminating information to Arkansas's catfish farmers, baitfish farmers, operators of related processing plants, feed mills and researchers. ADFA advises the Governor and legislators in matters of proposed regulations and the effects on aquaculture and agriculture. Arkansas leads the nation in baitfish production and is number two in the nation in catfish production. The catfish industry is one of the fastest growing industries in the state and nation. Aquaculture is estimated to have a one billion-dollar annual impact on the state's economy.

Farmer/Creditor Mediation is a program designed to help farmers and lenders reach a settlement concerning debt payment problems. ADFA mediators are neutral participants who help to attain a mutually beneficial agreement. During 2000, **250** farmers were offered mediation and **34** mediation sessions were conducted by program mediators.

HOMEOWNERSHIP

The **ADFA Single Family Housing Division** provides opportunity for homeownership to low-and-moderate income Arkansans. In July of 1988, ADFA launched the HomeToOwn continuous lending program. This was a significant change to the Authority's traditional method of offering two or three large mortgage revenue bond issues annually. In addition, ADFA became the first agency in the nation to introduce an Internet Loan Reservation System allowing mortgage bankers to submit loan applications, receive tracking numbers, track loan files, print ADFA exhibits, receive pertinent information and/or other program changes over the Internet. In 2000, ADFA made **\$126,452,987.87** in loans to **2,151** families; thus serving a total Arkansas population of **5,278**. (See Exhibit IV).

The **Down Payment Assistance Program** was created to help people who can afford monthly mortgage payments but find the ability to save even the minimum amount required for down payment and closing costs on a modest house to be elusive. To use the program, qualified buyers obtain a second loan in the amount of \$3,000 for down payment and closing costs. The second mortgage carries an interest rate of 7.54% with a term of ten (10) years and requires a one percent or \$500 investment (whichever is greater) of the buyer's own funds. In 2000, **\$2,477,746.73** in down payment assistance loans was made assisting **926** families and a total of **2,470** Arkansans. (See Exhibit V).

The **HOME Investment Partnership Program** is funded from the U.S. Department of Housing and Urban Development (HUD) and is administered by ADFA. HOME funds target low- and very low-income citizens and can be used for both single and multi-family housing. In 2000, the program was responsible for assisting in the maintenance and rehabilitation of homes for Arkansas low-income homeowners through funding for **\$3,130.011.74** for **35** projects. (See Exhibit VI).

AFFORDABLE HOUSING

ADFA uses a number of methods to encourage affordable rental housing development ranging from federal tax credits and federal grant funds to the issuance of tax-exempt bonds. These creative financial mechanisms are critical to meeting the housing needs of Arkansans. As Arkansas' population grows, so to does the pressure to create affordable rental housing for its low-income working families

The **HOME New Construction and Rental Rehabilitation Programs** use federal housing grant funds to encourage owners and developers of affordable rental housing to construct new units or preserve and modernize existing property for Arkansas; lowest income families. Calendar Year 2000 HOME funds are as follows:

Total Allocation:	\$11,203,000
Reserved for Admin/Oper	\$ 1,120,300
Authorized for Projects	\$10,082,700

As of December 31, 2000, project and unit numbers are as follows:

Total Projects Committed	4,078
Total Projects Completed	3,945
Total Housing Units Committed	5,795
Total Housing Units Completed	5,431

Tax-Exempt Multi-Family Housing Bond Issues have been used as a method of financial affordable rental housing since ADFA was created in 1977. Much of the incentive to use this method of financing was removed by the 1986 Tax Act which concurrently created the Low Income Housing Tax Credit Program as an alternative to build low-income rental housing. Recently as federal incentives encouraging the development of low-income housing have been reduced, the use of tax-exempt bonds has once again become an option for many developers. In 2000, **\$33,845,000** in tax-exempt, multi-family housing bonds was issued to finance **eight (8)** projects and **1,134** units. See Exhibit VII.

The **Low-Income Housing Tax Credit (LIHTC) Program** is a credit against federal tax for part of the investment an investor makes in construction or rehabilitation of apartments to be rented at discounts to tenants whose income are 80 percent of the area median income or less. The Tax Credit provides the financing which makes lower rents possible for qualified renters. This Credit mechanism makes sure that state agencies like the Arkansas Development Finance Authority and private investors, not Federal bureaucrats, determine that qualify housing is built where it is needed. In 2000, ADFA awarded **\$3,377,110** in Federal tax credits and **\$250,000** in state tax credits which in turn created **873** units of affordable rental housing throughout Arkansas. (See Exhibit VIII).

Financing Adjusted Factor (FAF) Affordable Housing Loan Program is available through the refunding of bonds initially issued to finance multi-family HUD-insured projects. Funds can be used to provide affordable housing for very low-income families. The funds may be used for acquisition or rehabilitation of existing houses, the adaptive re-use of non-residential building, new construction and other special housing needs categories. In 2000, ADFA made **one (1)** for **\$93,000** in White County creating **21** units.

EXHIBIT IA
2000 Economic Development Bond Issues
ADFA Guaranteed

<u>County</u>	<u>U.S. Congressional District</u>	<u>Loan Amount</u>	<u>No. New Jobs</u>	<u>No. Projects</u>
Faulkner	2	\$665,000.00	12	1
Madison	3	\$2,990,000.00	112	1
Mississippi	1	\$150,000.00	15	1
Pope	3	\$290,000.00	3	1
Pulaski	2	\$9,065,000.00	275	5
White	2	\$2,600,000.00	0	1
Total		<u>\$15,760,000.00</u>	<u>417</u>	<u>10</u>

EXHIBIT IB
2000 Economic Development Bond Issues
AEDC / Other Guaranteed

One (1) tax-exempt loan for \$415,000 was made in Year 2000 in Randolph County .

EXHIBIT IC
2000 Economic Development Bond Issues
State Facilities Finance

One (1) non-ADFA issued loan was made in Jefferson County for a prison facility. The mortgaged amount was \$4,500,000.

EXHIBIT ID
2000 Economic Development Bond Issues
Higher Education Facilities Finance

<u>County</u>	<u>School</u>	<u>Loan Amount</u>
Pulaski	U of A System Office	\$200,000.00
Independence	U of A Community College at Batesville	\$770,000.00
Drew	U of A at Monticello	\$770,000.00
Total		<u>\$1,740,000.00</u>

EXHIBIT IE
2000 Economic Development Bond Issues
Other Issued / ADFA Guaranteed

One (1) loan in White County was provided in the amount of \$2,600,000.00.

EXHIBIT IF
2000 Economic Development Bond Issues
Funded from ADFA's General Fund

<u>County</u>	<u>Loan Amount</u>	<u>Projects</u>
Bradley	\$267,750.00	1 Direct/Project Loan
Carroll	\$195,000.00	1 Tourism Loan
Craighead	\$85,000.00	1 Non-Issued Loan
Crittenden	\$385,000.00	1 Non-Issued Loan
Garland	\$500,000.00	1 Non-Issued Loan
Lonoke	\$150,000.00	1 Non-Issued Loan
Madison	\$20,962.50	1 Non-Issued Loan
Pope	\$236,306.00	1 Direct / Project Loan
Pulaski	\$2,237,500.00	4 Non-Issued Loans
Randolph	\$385,950.00	1 Non-Issued Loan
Total	\$4,463,468.50	15 Loans

EXHIBIT IG
2000 Economic Development Bond Issues
Funded from Bond Guaranty Reserve Fund

One (1) loan in Pulaski County for \$67,200.00 was funded from the Bond Guaranty Reserve Fund.

EXHIBIT II
2000 The Capital Access Loan Program

<u>County</u>	<u>Lender</u>	<u>No. Projects</u>	<u>ADFA Share</u>	<u>Loan Amount</u>
Bradley	Enterprise Corp of Dallas	1	\$19,687.50	\$600,000.00
Clark	AR Enterprise Group	1	\$1,500.00	\$20,000.00
	Southern Dev/Elk Horn Bank	<u>6</u>	<u>\$2,872.21</u>	<u>\$148,906.63</u>
	Total	7	\$4,372.21	\$168,906.63
Clay	Enterprise Corp of Dallas	1	\$9,000.00	\$200,000.00
Dallas	Southern Dev/Elk Horn	1	\$228.32	\$10,000.00
Desha	Enterprise Corp of Dallas	1	\$9,000.00	\$200,000.00
Hempstead	Southern Dev/Elk Horn	1	\$3,325.00	\$95,000.00
Hot Spring	Southern Dev/Elk Horn	1	\$750.00	\$25,000.00
Jefferson	Enterprise Corp of Delta	1	\$900.00	\$30,000.00
Lafayette	Bank of Bradley	9	\$3,076.00	\$102,680.73
Lincoln	Enterprise Corp of Delta	1	\$2,160.00	\$48,000.00
Lonoke	AR Enterprise Group	1	\$1,575.00	\$35,000.00
	Enterprise Corp of Delta	<u>1</u>	<u>\$15,750.00</u>	<u>\$350,000.00</u>
	Total	2	\$17,325.00	\$385,000.00
Miller	Bank of Bradley	5	\$2,471.00	\$123,645.74
Poinsett	Little River Bank-Lepanto	4	\$15,435.00	\$150,520.00
Pulaski	1st Jacksonville Bank & Trust	1	\$360.00	\$8,272.00
	AR Enterprise Group	2	\$2,625.00	\$25,210.00
	Southern Development	<u>2</u>	<u>\$1,230.00</u>	<u>\$41,000.00</u>
	Total	5	\$4,215.00	\$74,482.00
St. Francis	AR Enterprise Group	1	\$1,126.80	\$25,039.73
GRAND TOTAL		<u>41</u>	<u>\$93,071.83</u>	<u>\$2,238,274.83</u>

EXHIBIT III
2000 Intermediary Relending Program (IRP)

<u>County</u>	<u>Original Loan Amount</u>	<u>Amount Outstanding</u>
Bradley	\$126,000.00	\$123,204.00
Chicot	\$145,000.00	\$139,844.00
Hempstead	\$126,771.00	\$121,327.00
Total	<u>\$397,771.00</u>	<u>\$384,375.00</u>

EXHIBIT IV
2000 Home-to-Own Program

<u>County</u>	<u>\$ Amount</u>	<u>No. Loans</u>	<u>No. Served</u>
Arkansas	\$319,533.48	5	11
Ashley	\$50,329.14	1	1
Baxter	\$758,510.75	13	34
Benton	\$15,478,620.95	231	557
Boone	\$1,499,962.36	27	66
Bradley	\$163,212.58	4	9
Calhoun	\$41,945.56	1	4
Carroll	\$413,114.74	7	24
Chicot	\$45,325.31	1	1
Clark	\$553,604.37	10	25
Clay	\$86,647.78	2	5
Cleburne	\$659,556.69	12	27
Columbia	\$67,378.70	1	3
Conway	\$1,016,773.62	19	56
Craighead	\$5,566,495.38	93	220
Crawford	\$7,460,397.96	121	311
Crittenden	\$9,626,173.42	152	353
Cross	\$584,666.88	10	26
Desha	\$206,938.55	4	10
Drew	\$56,056.83	1	1
Faulkner	\$4,713,871.11	70	158
Franklin	\$1,532,342.18	27	68
Garland	\$696,148.70	11	21
Grant	\$183,205.46	3	10
Greene	\$44,223.37	1	4
Hot Springs	\$224,514.04	6	9
Independence	\$130,866.13	3	5
Jackson	\$78,358.78	2	3
Jefferson	\$3,966,798.60	91	206
Johnson	\$2,162,147.70	39	108
Lawrence	\$320,346.05	6	14
Lee	\$136,234.95	3	8
Lincoln	\$47,726.00	1	3
Little River	\$51,324.58	1	1
Logan	\$1,317,058.91	27	65
Lonoke	\$6,203,991.22	80	214
Madison	\$317,363.20	6	15

EXHIBIT IV continued
2000 Home-to-Own Program

<u>County</u>	<u>\$ Amount</u>	<u>No. Loans</u>	<u>No. Served</u>
Marion	\$484,317.35	9	20
Miller	\$582,628.44	12	29
Mississippi	\$1,103,901.07	22	46
Monroe	\$99,590.89	2	5
Newton	\$48,018.55	1	2
Ouachita	\$474,370.47	10	24
Perry	\$358,717.00	5	11
Phillips	\$20,184.56	1	1
Poinsett	\$935,451.84	18	44
Polk	\$206,615.04	4	8
Pope	\$2,384,634.00	44	117
Prairie	\$52,560.96	1	1
Pulaski	\$19,249,602.41	355	803
Randolph	\$139,582.01	3	9
Saline	\$7,603,689.81	106	248
Scott	\$428,577.05	8	14
Searcy	\$34,162.00	1	2
Sebastian	\$9,001,764.73	180	464
Sharp	\$54,986.00	1	1
St. Francis	\$1,566,255.16	27	84
Stone	\$58,055.57	1	3
Union	\$144,281.09	4	13
Van Buren	\$86,315.52	2	7
Washington	\$8,378,012.87	131	373
White	\$3,538,332.23	59	142
Woodruff	\$180,183.46	4	9
Yell	\$2,456,431.76	48	142
Total	<u>\$126,452,987.87</u>	<u>2,151</u>	<u>5,278</u>

EXHIBIT V
2000 Down Payment Assistance Program

<u>COUNTY</u>	<u>\$ AMOUNT</u>	<u>NO. LOANS</u>	<u>NO. SERVED</u>
Benton	\$285,336.21	111	278
Boone	\$13,209.72	5	15
Bradley	\$3,000.00	1	2
Carroll	\$3,000.00	1	1
Chicot	\$2,000.00	1	2
Clark	\$9,000.00	3	9
Clay	\$3,000.00	1	3
Columbia	\$2,932.04	1	2
Conway	\$20,338.94	8	31
Craighead	\$74,333.59	30	55
Crawford	\$181,106.58	68	191
Crittenden	\$174,827.10	64	154
Cross	\$4,684.00	2	4
Faulkner	\$50,805.85	18	49
Franklin	\$3,000.00	1	2
Garland	\$14,403.15	5	9
Grant	\$2,967.72	1	2
Greene	\$1,352.14	1	4
Hot Spring	\$13,920.19	6	11
Independence	\$1,500.00	1	3
Jefferson	\$66,173.98	25	71
Lawrence	\$2,380.00	1	3
Lee	\$3,000.00	1	4
Lincoln	\$12,000.00	4	9
Logan	\$3,000.00	1	3
Lonoke	\$18,269.39	7	18
Madison	\$8,700.00	3	10
Mississippi	\$4,640.00	2	2
Perry	\$3,069.36	2	2
Phillips	\$2,200.00	1	3
Poinsett	\$5,000.00	2	3
Polk	\$4,967.72	2	5
Pope	\$58,618.11	21	63
Pulaski	\$562,462.21	207	520
Randolph	\$3,000.00	1	1
Saline	\$133,876.10	50	122

EXHIBIT V continued
2000 Down Payment Assistance Program

<u>COUNTY</u>	<u>\$ AMOUNT</u>	<u>NO. LOANS</u>	<u>NO. SERVED</u>
Scott	\$6,000.00	2	5
Sebastian	\$305,209.35	112	317
St. Francis	\$23,380.16	9	34
Union	\$8,550.00	4	12
Washington	\$256,982.89	91	287
White	\$27,155.43	12	29
Yell	\$94,394.80	37	120
 TOTAL	 <u>\$2,477,746.73</u>	 <u>926</u>	 <u>2,470</u>

EXHIBIT VI
2000 HOME Investment Partnership Program

<u>COUNTY</u>	<u>NO. LOANS</u>	<u>\$ AMOUNT</u>
Arkansas	3	\$54,341.30
Boone	2	\$500,000.00
Chicot	2	\$61,358.00
Clark	1	\$360,000.00
Crawford	2	\$40,711.62
Crittenden	1	\$385,000.00
Dallas	1	\$200,000.00
Faulkner	1	\$15,846.53
Garland	1	\$200,000.00
Lonoke	7	\$498,757.50
Monroe	4	\$84,484.00
Ouachita	1	\$300,000.00
Phillips	4	\$126,438.00
Sebastian	1	\$200,000.00
White	3	\$93,590.00
Yell	1	\$9,484.79
Total	<u>35</u>	<u>\$3,130,011.74</u>

EXHIBIT VII
2000 Tax-Exempt Multi-Family Housing Bond Issues

<u>County</u>	<u>No. Projects</u>	<u>Dollar Amount</u>
Benton	1	\$5,070,000.00
Crittenden	1	\$5,075,000.00
Faulkner	1	\$5,000,000.00
Lee	1	\$1,525,000.00
Mississippi	1	\$5,200,000.00
Pulaski	2	\$8,590,000.00
Washington	1	\$3,385,000.00
Total	<u>8</u>	<u>\$33,845,000.00</u>

EXHIBIT VIII
2000 Low Income Housing Tax Credit Program

<u>County</u>	<u>No. Projects</u>	<u>Federal Tax Credits</u>	<u>State Tax Credits</u>
Baxter	2	\$465,515.00	\$44,889.00
Benton	2	\$137,708.00	\$0.00
Boone	1	\$73,874.00	\$0.00
Crittenden	1	\$300,000.00	\$60,000.00
Desha	1	\$55,696.00	\$11,139.00
Drew	1	\$197,365.00	\$14,546.00
Jackson	1	\$83,132.00	\$16,626.00
Lonoke	1	\$50,068.00	\$0.00
Mississippi	1	\$43,161.00	\$0.00
Monroe	1	\$54,888.00	\$10,977.00
Newton	1	\$59,436.00	\$11,887.00
Pulaski	4	\$862,306.00	\$0.00
Searcy	1	\$58,065.00	\$11,613.00
Sharp	1	\$48,040.00	\$0.00
St. Francis	2	\$341,617.00	\$68,323.00
Union	1	\$233,388.00	\$0.00
Washington	1	\$257,164.00	\$0.00
White	1	\$55,688.00	\$0.00
Total	<u>24</u>	<u>\$3,377,111.00</u>	<u>\$250,000.00</u>